

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE VERIFIED)
PETITION OF INDIANA MICHIGAN POWER)
COMPANY FOR APPROVAL OF: (1))
DEMAND SIDE MANAGEMENT (DSM))
PLAN, INCLUDING ENERGY EFFICIENCY)
(EE) PROGRAMS, DEMAND RESPONSE) CAUSE NO. 45701
PROGRAMS, AND ENHANCED)
CONSERVATION VOLTAGE; AND (2))
ASSOCIATED ACCOUNTING AND)
RATEMAKING TREATMENT, INCLUDING)
TIMELY RECOVERY THROUGH I&M'S)
DSM/EE PROGRAM COST RIDER OF)
ASSOCIATED COSTS, INCLUDING)
PROGRAM OPERATING COSTS, NET LOST)
REVENUE, AND FINANCIAL INCENTIVES.)

SUBMISSION OF SETTLEMENT AGREEMENT

Petitioner, Indiana Michigan Power Company (I&M), by counsel, respectfully files the attached Settlement Agreement on behalf of itself, the Indiana Office of Utility Consumer Counselor (OUCC), and the Citizens Action Coalition of Indiana, Inc. (CAC) (“Settling Parties”).

Respectfully submitted on behalf of the Settling Parties,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 3rd day of August, 2022, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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STIPULATION AND SETTLEMENT AGREEMENT

Indiana Michigan Power Company (I&M), the Indiana Office of Utility Consumer Counselor (OUCC), and the Citizens Action Coalition (CAC) (collectively, the “Settling Parties” and individually “Settling Party”) solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts, and counsel, stipulate and agree that I&M’s DSM Plan shall be approved as modified below and the terms and conditions set forth below represent a fair, just and reasonable resolution of all matters pending before the Indiana Utility Regulatory Commission (“Commission”) in this Cause, subject to their incorporation by the Commission into a Final Order¹ without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement

¹ “Final Order” as used herein means an order issued by the Commission as to which no person has filed a Notice of Appeal within the thirty-day period after the date of the Commission order.

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Agreement”) in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS.

As a settlement of this proceeding only and without serving as a precedent for future proceedings, the Settling Parties agree to approval of I&M’s requested relief in Cause No. 45701 (as set forth in I&M’s petition, case-in-chief, and settlement testimony) subject to the following modifications.

A. EE Plan.

1. Modifications to EE Plan.

- a. I&M’s EE Plan goals for the 2023-2025 plan period will be as set forth in Figure JCW-2 in I&M witness Jon Walter’s direct testimony, subject to: 1) the following modifications made together by the Settling Parties, which are further outlined in the spreadsheet labeled “DSM Plan Settlement Exhibits”, and 2) any additional savings needed to achieve the Revised Energy Savings Goal identified in Section I.A.2. below.
 - i. The removal of the associated energy and demand savings and costs from all residential and commercial and industrial (C&I) General Service Lighting (GSL) screw base measures, due to recently finalized and published rulemakings by the U.S. Department of Energy (DOE), which were not addressed in the I&M Market Potential Study and I&M direct case. C&I 1–3-watt GSLs will not be removed, since this measure is excluded from the DOE rulemaking.
 - ii. Shift all commercial and industrial (C&I) Variable Frequency Drive (VFD) measures from the Work Prescriptive Program to the Work Midstream Program to provide additional funding and measure diversity for the new midstream delivery channel.
 - iii. The increase of the associated energy and demand savings and costs to I&M Market Potential Study Realistic Achievable Potential levels for the residential non-IQ program air sealing measures that are individually cost-effective with program cost loadings applied.
 - iv. The increase of the associated energy and demand savings and costs to I&M Market Potential Study Realistic Achievable Potential levels for the residential non-IQ program duct sealing measures.

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- v. The removal of the associated energy and demand savings and costs from the following Home Energy Products Program measures: 1) Energy Star & smart electric dryers; and 2) Smart & Consortium for Energy Efficiency (CEE) Tier 3 Refrigerators.
 - vi. A reduction in volume, as indicated for each measure, and associated reduction in energy and demand savings and cost, for the following Home Energy Products Program measures: 1) Tier 2 Advanced Power Strips reduction by 40%; and 2) Energy Star Televisions reduction by 40%.
 - vii. The designation of Emerging Technology to the following residential measures. Additional technologies and measures may be identified and designated as Emerging Technology with a unanimous vote from the OSB members.
 - 1. Smart Room Air Conditioners
 - 2. Smart Clothes Dryers
 - 3. Heat Pump Water Heaters
 - 4. Heat Pump Dryers
 - 5. Smart Water Heater – Tank Controls and Sensors
- b. I&M, in collaboration with the OSB, may make reasonable changes to the overall portfolio mix of programs and measures to provide sufficient flexibility to achieve the Revised Energy Savings goal.
- c. For measures that are impacted by federal standard baseline changes during the 3-year term of the DSM Plan, the Settling Parties further agree and stipulate implementation flexibility for I&M to modify impacted DSM Plan measures according to such evolving federal standards changes so long as such changes are timely communicated to the OSB by I&M and agreed upon by the OSB.
2. Energy Savings Goal.
- a. Revised Energy Savings Goal. The forecasted DSM Plan three-year energy savings target is 338,212,594 kWh, which results in a three-year average savings of 0.78% of I&M retail sales. I&M will use best efforts to achieve the Revised Energy Savings target as forecasted using the mix of programs and measures contained within the DSM Plan, as adjusted in Section 1.A. above. In the event the forecast energy savings from the measures in Section 1.A. subparts (iii) and (iv) cannot be cost effectively realized, then I&M will collaborate with the OSB to identify other available DSM Plan cost effective measures to pursue achievement of the Revised Energy Savings Goal.

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- b. **Stretch Goal.** The I&M Oversight Board (OSB) agrees to work collaboratively and in good faith to use best efforts to identify and achieve through the use of the spending flexibility additional cost-effective energy savings of approximately 0.30% of eligible retail sales for the total three-year period of 2023-2025, or an additional 130,640,058 kWh over the three-year plan. In total, the additional three-year, cost-effective total energy savings of approximately 0.30% of eligible retail sales reflects a projection of the MWh that may be achievable through the exercise of this spending flexibility over the three-year term of the Plan. The Settling Parties through the OSB will use best efforts to increase the scale of programs and/or identify emerging technologies to produce reasonably achievable, cost-effective (based on pro forma estimates) incremental energy savings. In exercising this spending flexibility, the Settling Parties, through the OSB, agree that a unanimous vote from the OSB members will be required (and that approval of the exercise of spending flexibility authority will not be unreasonably withheld if cost-effective). Incremental spending approved pursuant to this provision will not be subject to prudence review upon reconciliation of actual incremental costs and energy savings, provided that I&M acts in good faith to execute the authorized spending flexibility consistent with any implementation parameters agreed to by the OSB.
3. I&M agrees to include provisional funding in the Plan for a revised Residential New Construction program. I&M agrees to present a revised cost-effective program no later than December 31, 2022, to the OSB. Approval of the revised Residential New Construction program is contingent upon a unanimous vote of approval by the OSB. Estimates of gross kWh savings generated by the revised Residential New Construction program will not be included in the portfolio Plan until approved by the OSB. To the extent the Residential New Construction program is not found to be cost-effective, I&M shall increase the amount of cost-effective savings from new or existing programs as needed to achieve the Revised Energy Savings Goal, and the Stretch Goal would thereby be reduced by the amount of savings allocated to the Residential New Construction program.
4. The sector spending flexibility includes the ability to spend up to and including an additional 12.50% of direct program operating costs. To the extent additional funding is needed to achieve additional cost-effective saving opportunities that requires funding over and above the amount allotted by sector spending flexibility, the Settling Parties, through the OSB by unanimous vote, shall vote on whether to request additional funding through a request to the Commission (and OSB approval of this will not be unreasonably withheld if the opportunity is cost-effective meaning it passes the UCT).

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5. I&M will continue to discuss with the OSB any mid-plan changes to EE Program incentive levels that exceed +/- 15%.
6. I&M will implement the Income Qualified Weatherproofing Program consistent with the 2023-2025 EE Plan program design and will collaborate with the OSB on exploring ways to improve program reach and participation, including addressing barriers with Community Action Partnership (CAP) agencies.
7. I&M will continue to discuss with the OSB further opportunities for customer outreach and awareness of EE program availability, including marketing efforts.
8. I&M agrees to collaborate with the OSB on the selection of the consultant to conduct, and the development of, the next Market Potential Study.
9. I&M's residential and C&I EE Programs will otherwise be implemented as proposed in I&M's case-in-chief.

B. DSM/EE Opt-Out.

1. Subject to resolving any internal administrative/accounting issues, I&M agrees to prepare and seek approval of revised opt-in tariff language similar to that approved for NIPSCO in 30-Day Filing No. 50499 within 60 days following execution of the Settlement.
2. If upon effectuation of the revised opt-in tariff language, any customer(s) exercises a mid-program year opt-in during the 2023-2025 DSM Plan period. I&M will engage the OSB to determine the applicability and reasonableness for the use of the spending flexibility identified in Section I.A.4 above for such opt-in customer(s). Such use of spending flexibility may include, subject to unanimous OSB vote, consideration of program incentive increases for mid-year opt-in customers.

C. Demand Response (DR) Plan.

1. I&M's DR Plan shall be approved as proposed by I&M in its case-in-chief.
2. The DR Plan savings goals shall be as shown in Attachment JCW-2 to I&M witness Jon Walter's direct testimony.
3. The Income-Qualified (IQ) HVAC Direct Load Control (DLC) Program and IQ Water Heat DLC Program will not be subject to cost effectiveness determination for program continuation.

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D. Enhanced Conservation Voltage Reduction (CVR) Plan.

1. I&M's CVR Plan shall be approved consistent with the Order in Cause No. 45576 and as proposed by I&M in its case-in-chief.

E. Accounting Matters.

1. Timely cost recovery through the DSM/EE Rider shall be approved as proposed by I&M in its case-in-chief except as modified herein.
2. Continued authority to defer the over and under recovery of DSM/EE program costs through the DSM Rider pending reconciliation in subsequent rider periods will be approved as proposed by I&M.
3. Lost Revenues. The Settling Parties agree to maintain the existing lost revenue cap as approved in Cause No. 45285, such that lost revenue for all measures installed in 2023-2025 will be limited to (a) three years, (b) the life of the measure, or (c) until new rates are implemented pursuant to a final order in I&M's next base rate case, whichever occurs earlier.
4. Energy Efficiency Financial Incentive. The Settling Parties agree to the following modified structure of the energy efficiency shared savings incentive mechanism subject also to the removal of the impacts from the Carbon Tax applied in I&M's avoided energy cost forecast:

Energy Savings Achievement Level	Incentive (based on UCT net benefits)*	Incentive (based on program spending)*
<60%	0.0%	0.0%
60-69.99%	5.0%	7.0%
70-79.99%	7.0%	10.5%
80-89.99%	8.0%	12.0%
90-99.99%	9.5%	13.5%
100-104.99%	12.0%	15.0%
105-114.99%	15.0%	16.5%
≥115%	18.0%	18.0%

*Actual incentive is the lesser of the incentives based on dollar amount derived from applying these incentives at the sector level. The percentages shown represent total final earnings when Shared Savings Component 1 performance is adjusted by Component 2 performance.

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5. Demand Response (DR) Financial Incentive. The Settling Parties agree to the following modifications to I&M's proposed DR Financial Incentive:

Percent of MW Target of Incremental DR	DR Earnings Percent of Incremental O&M
<60%	0%
60-79.99%	2%
80-89.99%	4%
90-99.99%	6%
100-109.99%	8%
≥110%	10%

F. Other Matters.

1. Independent evaluation, verification, and measurement (EM&V) will be conducted as proposed by I&M.
2. Any matters not addressed by this Settlement Agreement will be adopted as proposed by I&M in its direct case.
3. The Settling Parties agree to work collaboratively to seek Commission approval of this Settlement Agreement so that I&M may implement the DSM Plan no later than January 1, 2023.

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION

1. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement. The concurrence of the Settling Parties with the terms of the Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement in its entirety without any modification or any condition that may be unacceptable by any Settling Party.

2. The Settling Parties shall jointly move for the Commission for leave to file the Settlement Agreement and supporting evidence. The Settling Parties will file testimony specifically supporting the Settlement Agreement. The Settling Parties agree

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to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement and to consider the input of the other Settling Parties. Such evidence, together with the evidence previously prefiled by the Settling Parties, will be offered into evidence without objection from the Settling Parties, and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties will submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or with condition(s) unacceptable to any Settling Party, the Settlement Agreement and supporting evidence may be withdrawn and the Commission will continue to hear Cause No. 45701 with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

3. The Settling Parties shall jointly agree on the form, wording and timing of public/media announcement (if any) of this Settlement Agreement and the terms thereof. The Settling Parties may respond individually without prior approval of the other Settling Parties to questions from the public or media, provided that such responses are consistent with such announcement and do not disparage any of the Settling Parties. Nothing in this Settlement Agreement shall limit or restrict the Commission's ability to publicly comment regarding this Settlement Agreement or any Order affecting this Settlement Agreement.

III. EFFECT AND USE OF SETTLEMENT AGREEMENT

1. It is understood that the Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding except to the extent necessary to implement and enforce its terms. It is also understood that each and every term of the Settlement Agreement is in consideration and support of each and every other term.

2. The Settlement Agreement shall not constitute and shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce the terms of this Settlement Agreement.

3. The Settlement Agreement is solely the result of compromise and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any Settling Party may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.

4. The Settling Parties agree that the additional evidence offered in support of the Settlement Agreement and the previously prefiled evidence constitute substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Settlement Agreement, as filed. The Settling Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible after the filing of this Settlement Agreement and the final evidentiary hearing.

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5. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning the Settlement Agreement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise.

6. The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their respective clients, and their successors and assigns, which will be bound thereby.

7. The Settling Parties shall not appeal or seek rehearing, reconsideration, or a stay of the Commission Order approving the Settlement Agreement in its entirety and without change or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement Agreement). The Settling Parties shall support or not oppose the Settlement Agreement in the event of any appeal or a request for a stay by a person not a party to this Settlement Agreement or if this Settlement Agreement is the subject matter of any other state or federal proceeding. The provisions of the Settlement Agreement shall be enforceable by any Settling Party before the Commission and thereafter in any state court of competent jurisdiction as necessary.

8. This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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ACCEPTED and AGREED as of the 3rd day of August, 2022.

INDIANA MICHIGAN POWER COMPANY



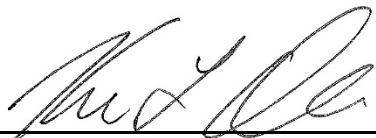
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